

**AMENDMENT-IN-THE-NATURE-OF-A-SUBSTITUTE
TO THE MEDICARE COMMITTEE PRINT OF JUNE 6,
1997
OFFERED BY MR. BILIRAKIS**

Strike the entire text and insert in lieu thereof the following:

1 **Subtitle F—Child Health Assistance**
2 **Program (CHAP)**

3 **SEC. 3501. SHORT TITLE OF SUBTITLE; TABLE OF CON-**
4 **TENTS OF SUBTITLE.**

5 (a) SHORT TITLE OF SUBTITLE.—This subtitle may be
6 cited as the “Child Health Assistance Program Act of 1997”.

7 (b) TABLE OF CONTENTS OF SUBTITLE.—The table of
8 contents of this subtitle is as follows:

Sec. 3501. Short title of subtitle; table of contents.

Sec. 3502. Establishment of Child Health Assistance Program (CHAP).

“TITLE XXI—STATE CHILD HEALTH COVERAGE ASSISTANCE
PROGRAM

“Sec. 2101. Purpose; State child health plans.

“Sec. 2102. Contents of State child health plan.

“Sec. 2103. Allotments.

“Sec. 2104. Payments to States.

“Sec. 2105. Process for submission, approval, and amendment of State
child health plans.

“Sec. 2106. Strategic objectives and performance goals; plan adminis-
tration.

“Sec. 2107. Annual reports; evaluations.

“Sec. 2108. Definitions.

Sec. 3503. Optional use of State child health assistance funds for enhanced
medicaid match for expanded medicaid eligibility.

9 **SEC. 3502. ESTABLISHMENT OF CHILD HEALTH ASSIST-**
10 **ANCE PROGRAM (CHAP).**

11 The Social Security Act is amended by adding at the end
12 the following new title:

1 “TITLE XXI—CHILD HEALTH ASSISTANCE PROGRAM

2 **“SEC. 2101. PURPOSE; STATE CHILD HEALTH PLANS.**

3 “(a) PURPOSE.—The purpose of this title is to provide
4 funds to States to enable them to implement plans to initiate
5 and expand the provision of child health care assistance to un-
6 insured, low-income children in an effective and efficient man-
7 ner that is coordinated with other sources of coverage for chil-
8 dren. Such assistance may be provided for obtaining creditable
9 health coverage through methods specified in the plan, which
10 may include any or all of the following:

11 “(1) Providing benefits under the State’s medicaid
12 plan under title XIX.

13 “(2) Obtaining coverage under group health plans or
14 group or individual health insurance coverage.

15 “(3) Direct purchase of services from providers.

16 “(4) Other methods specified under the plan.

17 “(b) STATE CHILD HEALTH PLAN REQUIRED.—A State is
18 not eligible for payment under section 2104 unless the State
19 has submitted to the Secretary under section 2105 a plan
20 that—

21 “(1) sets forth how the State intends to use the funds
22 provided under this title to provide child health assistance
23 to needy children consistent with the provisions of this title,
24 and

25 “(2) is approved under section 2105.

26 “(c) STATE ENTITLEMENT.—This title constitutes budget
27 authority in advance of appropriations Acts and represents the
28 obligation of the Federal Government to provide for the pay-
29 ment to States of amounts provided under section 2104.

30 “(d) EFFECTIVE DATE.—No State is eligible for payments
31 under section 2104 for any calendar quarter beginning before
32 October 1, 1997.

33 **“SEC. 2102. CONTENTS OF STATE CHILD HEALTH PLAN.**

34 “(a) GENERAL BACKGROUND AND DESCRIPTION.—A
35 State child health plan shall include a description, consistent
36 with the requirements of this title, of—

1 “(1) the extent to which, and manner in which, chil-
2 dren in the State, including targeted low-income children
3 and other classes of children classified by income and other
4 relevant factors, currently have creditable health coverage
5 (as defined in section 2108(c)(2));

6 “(2) current State efforts to provide or obtain cred-
7 itable health coverage for uncovered children, including the
8 steps the State is taking to identify and enroll all uncov-
9 ered children who are eligible to participate in public health
10 insurance programs and health insurance programs that in-
11 volve public-private partnerships; and

12 “(3) how the plan is designed to be coordinated with
13 such efforts to increase coverage of children under cred-
14 itable health coverage.

15 “(b) GENERAL DESCRIPTION OF ELIGIBILITY STANDARDS
16 AND METHODOLOGY.—

17 “(1) ELIGIBILITY STANDARDS.—

18 “(A) IN GENERAL.—The plan shall include a de-
19 scription of the standards used to determine the eligi-
20 bility of targeted low-income children for child health
21 assistance under the plan. Such standards may include
22 (to the extent consistent with this title) those relating
23 to the geographic areas to be served by the plan, age,
24 income and resources (including any standards relating
25 to spenddowns and disposition of resources), residency,
26 disability status, immigration status, access to or cov-
27 erage under other health coverage, and duration of eli-
28 gibility. Such standards may not discriminate on the
29 basis of diagnosis.

30 “(B) LIMITATIONS ON ELIGIBILITY STANDARDS.—
31 Such eligibility standards—

32 “(i) shall, within any defined group of covered
33 targeted low-income children, not cover such chil-
34 dren with higher family income without covering
35 children with a lower family income, and

36 “(ii) may not deny eligibility based on a child
37 having a preexisting medical condition.

“(2) **METHODOLOGY.**—The plan shall include a description of methods of establishing and continuing eligibility and enrollment, including a methodology for computing family income that is consistent with the methodology used under section 1902(l)(3)(E).

“(3) ELIGIBILITY SCREENING; COORDINATION WITH OTHER HEALTH COVERAGE PROGRAMS.—The plan shall include a description of procedures to be used to ensure—

“(A) through both intake and followup screening, that only targeted low-income children are furnished child health assistance under the State child health plan;

“(B) that children found through the screening to be eligible for medical assistance under the State medicaid plan under title XIX are enrolled for such assistance under such plan;

“(C) that the insurance provided under the State child health plan does not substitute for coverage under group health plans; and

“(D) coordination with other public and private programs providing creditable coverage for low-income children.

“(4) NONENTITLEMENT.—Nothing in this title shall be construed as providing an individual with an entitlement to child health assistance under a State child health plan.

“(c) DESCRIPTION OF ASSISTANCE.—

“(1) IN GENERAL.—A State child health plan shall include a description of the child health assistance provided under the plan for targeted low-income children. The child health assistance provided to a targeted low-income child under the plan in the form described in paragraph (1) or (2) of section 2101(a) shall include benefits (in an amount, duration, and scope specified under the plan) for at least the following categories of services:

“(A) Inpatient and outpatient hospital services.

“(B) Physicians’ surgical and medical services.

“(C) Laboratory and x-ray services.

1 “(D) Well-baby and well-child care, including age-
2 appropriate immunizations.

3 The previous sentence shall not apply to coverage under a
4 group health plan if the benefits under such coverage for
5 individuals under this title are no less than the benefits for
6 other individuals similarly covered under the plan.

7 “(2) ITEMS.—The description shall include the follow-
8 ing:

9 “(A) COST SHARING.—Subject to paragraph (3),
10 the amount (if any) of premiums, deductibles, coinsur-
11 ance, and other cost sharing imposed.

12 “(B) DELIVERY METHOD.—The State’s approach
13 to delivery of child health assistance, including a gen-
14 eral description of—

15 “(i) the use (or intended use) of different de-
16 livery methods, which may include the delivery
17 methods used under the medicaid plan under title
18 XIX, fee-for-service, managed care arrangements
19 (such as capitated health care plans, case manage-
20 ment, and case coordination), direct provision of
21 health care services (such as through community
22 health centers and disproportionate share hos-
23 pitals), vouchers, and other delivery methods; and

24 “(ii) utilization control systems.

25 “(3) LIMITATIONS ON COST SHARING.—

26 “(A) NO COST SHARING ON PREVENTIVE BENE-
27 FITS.—The plan may not impose deductibles, coinsur-
28 ance, or similar cost sharing with respect to benefits
29 for preventive services.

30 “(B) SLIDING SCALE.—To the extent practicable,
31 any premiums imposed under the plan shall be imposed
32 on a sliding scale related to income and the plan may
33 only vary premiums, deductibles, coinsurance, and
34 other cost sharing based on the family income of tar-
35 geted low-income children only in a manner that does
36 not favor children from families with higher income
37 over children from families with lower income.

1 “(4) RESTRICTION ON APPLICATION OF PREEXISTING
2 CONDITION EXCLUSIONS.—

3 “(A) IN GENERAL.—Subject to subparagraph (B),
4 the State child health plan shall not permit the imposi-
5 tion of any preexisting condition exclusion for covered
6 benefits under the plan.

7 “(B) GROUP HEALTH PLANS AND GROUP HEALTH
8 INSURANCE COVERAGE.—If the State child health plan
9 provides for benefits through payment for, or a con-
10 tract with, a group health plan or group health insur-
11 ance coverage, the plan may permit the imposition of
12 a preexisting condition exclusion but only insofar as it
13 is permitted under the applicable provisions of part 7
14 of subtitle B of title I of the Employee Retirement In-
15 come Security Act of 1974 and title XXVII of the Pub-
16 lic Health Service Act.

17 “(5) SECONDARY PAYMENT.—Nothing in this section
18 shall be construed as preventing a State from denying ben-
19 efits to an individual to the extent such benefits are avail-
20 able to the individual under another public or private
21 health care insurance program.

22 “(6) TREATMENT OF CASH PAYMENTS.—Payments in
23 the form of cash or vouchers provided as child health or
24 other assistance under the State child health plan to par-
25 ents, guardians or other caretakers of a targeted low-in-
26 come child are not considered income for purpose of eligi-
27 bility for, or benefits provided under, any means-tested
28 Federal or Federally-assisted program.

29 “(d) OUTREACH AND COORDINATION.—A State child
30 health plan shall include a description of the procedures to be
31 used by the State to accomplish the following:

32 “(1) OUTREACH.—Outreach to families of children
33 likely to be eligible for child health assistance under the
34 plan or under other public or private health coverage pro-
35 grams to inform these families of the availability of, and
36 to assist them in enrolling their children in, such a pro-
37 gram.

1 “(2) COORDINATION WITH OTHER HEALTH INSUR-
2 ANCE PROGRAMS.—Coordination of the administration of
3 the State program under this subtitle with other public and
4 private health insurance programs.

5 **“SEC. 2103. ALLOTMENTS.**

6 “(a) TOTAL ALLOTMENT.—The total allotment that is
7 available under this title for each fiscal year, beginning with
8 fiscal year 1998, is \$2,800,000,000.

9 “(b) ALLOTMENTS TO 50 STATES AND DISTRICT OF CO-
10 LUMBIA.—

11 “(1) IN GENERAL.—Subject to paragraph (4), of the
12 total allotment available under subsection (a) for a fiscal
13 year, reduced by the amount of allotments made under sub-
14 section (c) for the fiscal year, the Secretary shall allot to
15 each State (other than a State described in such sub-
16 section) with a State child health plan approved under this
17 title the same proportion as the ratio of—

18 “(A) the product of (i) the number of uncovered
19 low-income children for the fiscal year in the State (as
20 determined under paragraph (2)) and (ii) the State
21 cost factor for that State (established under paragraph
22 (3)); to

23 “(B) the sum of the products computed under
24 subparagraph (A).

25 “(2) NUMBER OF UNCOVERED LOW-INCOME CHIL-
26 DREN.—For the purposes of paragraph (1)(A)(i), the num-
27 ber of uncovered low-income children for a fiscal year in a
28 State is equal to the arithmetic average of the number of
29 low-income children (as defined in section 2108(c)(4)) with
30 no health insurance coverage, as reported and defined in
31 the 3 most recent March supplements to the Current Popu-
32 lation Survey of the Bureau of the Census before the begin-
33 ning of the fiscal year.

34 “(3) ADJUSTMENT FOR GEOGRAPHIC VARIATIONS IN
35 HEALTH COSTS.—

1 “(A) IN GENERAL.—For purposes of paragraph
2 (1)(A)(ii), the ‘State cost factor’ for a State for a fiscal
3 year equal to the sum of—

4 “(i) 0.15, and

5 “(ii) 0.85 multiplied by the ratio of—

6 “(I) the annual average wages per em-
7 ployee for the State for such year (as deter-
8 mined under subparagraph (B)), to

9 “(II) the annual average wages per em-
10 ployee for the 50 States and the District of Co-
11 lumbia.

12 “(B) ANNUAL AVERAGE WAGES PER EMPLOYEE.—
13 For purposes of subparagraph (A), the ‘annual average
14 wages per employee’ for a State, or for all the States.
15 for a fiscal year is equal to the average of the annual
16 wages per employee for the State or for the 50 States
17 and the District of Columbia for employees in the
18 health services industry (SIC code 8000), as reported
19 by the Bureau of Labor Statistics of the Department
20 of Labor for each of the for the most recent 3 years
21 before the beginning of the fiscal year involved.

22 “(4) FLOOR FOR STATES.—In no case shall the
23 amount of the allotment under this subsection for one of
24 the 50 States or the District of Columbia for a year be less
25 than \$2,000,000. To the extent that the application of the
26 previous sentence results in an increase in the allotment to
27 a State above the amount otherwise provided, the allot-
28 ments for the other States and the District of Columbia
29 under this subsection shall be decreased in a pro rata man-
30 ner (but not below \$2,000,000) so that the total of such
31 allotments in a fiscal year does not exceed the amount oth-
32 erwise provided for allotment under paragraph (1) for that
33 fiscal year.

34 “(c) ALLOTMENTS TO TERRITORIES.—

35 “(1) IN GENERAL.—Subject to paragraph (3), of the
36 total allotment under subsection (a) for a fiscal year, the
37 Secretary shall allot 0.5 percent among each of the com-

monwealths and territories described in paragraph (4) in the same proportion as the percentage specified in paragraph (2) for such commonwealth or territory bears to the sum of such percentages for all such commonwealths or territories so described.

“(2) PERCENTAGE.—The percentage specified in this paragraph for—

“(A) Puerto Rico is 91.6 percent,

“(B) Guam is 3.5 percent,

“(C) Virgin Islands is 2.6 percent,

“(D) American Samoa is 1.2 percent, and

“(E) the Northern Mariana Islands is 1.1 percent.

“(3) FLOOR.—In no case shall the amount of the allotment to a commonwealth or territory under paragraph (1) for a fiscal year be less than \$100,000. To the extent that the application of the previous sentence results in an increase in the allotment to a commonwealth or territory above the amount otherwise provided, the allotments for the other commonwealths and territories under this subsection for the fiscal year shall be decreased (but not below \$100,000) in a pro rata manner so that the total of such allotments does not exceed the total amount otherwise provided for allotment under paragraph (1).

“(4) COMMONWEALTHS AND TERRITORIES.—A commonwealth or territory described in this paragraph is any of the following if it has a State child health plan approved under this title:

“(A) Puerto Rico.

“(B) Guam.

“(C) the Virgin Islands.

“(D) American Samoa.

“(E) the Northern Mariana Islands.

“(d) ADJUSTMENT FOR STATES USING ENHANCED MEDICAID MATCH.—In the case of a State that elects the increased medicaid matching option under section 1905(t), the amount of the State’s allotment under this section shall be reduced by the amount of additional payment made under section 1903 that

1 is attributable to the increase in the Federal medical assistance
2 percentage effected under such option.

3 “(e) 3-YEAR AVAILABILITY OF AMOUNTS ALLOTTED.—
4 Amounts allotted to a State pursuant to this section for a fiscal
5 year shall remain available for expenditure by the State
6 through the end of the second succeeding fiscal year.

7 **“SEC. 2104. PAYMENTS TO STATES.**

8 “(a) IN GENERAL.—Subject to the succeeding provisions
9 of this section, the Secretary shall pay to each State with a
10 program approved under this title, from its allotment under
11 section 2103 (as may be adjusted under section 2103(d)), an
12 amount for each quarter up to 80 percent of expenditures
13 under that program in the quarter for—

14 “(1) child health assistance for targeted low-income
15 children;

16 “(2) health services initiatives for improving the health
17 of children (including targeted low-income children and
18 other low-income children);

19 “(3) expenditures for outreach activities as provided in
20 section 2102(d)(1); and

21 “(4) other reasonable costs incurred by the State to
22 administer the plan.

23 “(b) LIMITATION ON CERTAIN PAYMENTS FOR CERTAIN
24 EXPENDITURES.—

25 “(1) IN GENERAL.—Funds provided to a State under
26 this title shall only be used to carry out the purposes of
27 this title.

28 “(2) LIMITATION ON EXPENDITURES NOT USED FOR
29 ASSISTANCE.—Payment shall not be made under subsection
30 (a) for expenditures for items described in paragraphs (2),
31 (3), or (4) of subsection to the extent the total of such ex-
32 penditures exceeds 15 percent of total expenditures under
33 the plan for the period involved (including any in such total
34 additional Federal medical assistance payments under sec-
35 tion 1903(a)(1) that are attributable to an enhanced State
36 medicaid match under section 1905(t)).

1 “(3) PURCHASE OF FAMILY COVERAGE.—The Sec-
2 retary shall establish rules regarding the extent to which
3 payment may be made under subsection (a)(1) for the pur-
4 chase of family coverage under a group health plan or
5 health insurance coverage that includes coverage of tar-
6 geted low-income children. Under such rules such payment
7 may be permitted, notwithstanding that a portion may be
8 considered attributable to purchase of coverage for other
9 family members, if the State demonstrates that purchase of
10 such coverage is cost effective relative to the amounts that
11 the State would have paid to obtain comparable coverage
12 only of the targeted low-income children involved. In mak-
13 ing such determination, there shall be taken into account
14 the costs of providing coverage for medical assistance for
15 children with similar actuarial characteristics under section
16 1902(l).

17 “(4) DENIAL OF PAYMENT FOR REDUCTION OF MEDIC-
18 AID ELIGIBILITY STANDARDS.—No payment may be made
19 under subsection (a) with respect to child health assistance
20 provided under a State child health plan to a targeted low-
21 income child if the child would be eligible for medical as-
22 sistance under the State plan under title XIX (as such plan
23 was in effect as of June 1, 1997) but for a change in the
24 income or assets standards or methodology under such plan
25 effected after such date.

26 “(5) DISALLOWANCES FOR EXCLUDED PROVIDERS.—

27 “(A) IN GENERAL.—Payment shall not be made to
28 a State under subsection (a) for expenditures for items
29 and services furnished—

30 “(i) by a provider who was excluded from par-
31 ticipation under title V, XVIII, or XX or under this
32 title pursuant to section 1128, 1128A, 1156, or
33 1842(j)(2), or

34 “(ii) under the medical direction or on the pre-
35 scription of a physician who was so excluded, if the
36 provider of the services knew or had reason to
37 know of the exclusion.

1 “(B) EXCEPTION FOR EMERGENCY SERVICES.—
2 Subparagraph (A) shall not apply to emergency items
3 or services, not including hospital emergency room
4 services.

5 “(6) USE OF NON-FEDERAL FUNDS FOR STATE
6 MATCHING REQUIREMENT.—Amounts provided by the Fed-
7 eral Government, or services assisted or subsidized to any
8 significant extent by the Federal Government, may not be
9 included in determining the amount of non-Federal con-
10 tributions required under subsection (a).

11 “(7) TREATMENT OF THIRD PARTY LIABILITY.—No
12 payment shall be made to a State under this section for ex-
13 penditures for child health assistance provided for a tar-
14 geted low-income child under its plan to the extent that a
15 private insurer (as defined by the Secretary by regulation
16 and including a group health plan (as defined in section
17 607(1) of the Employee Retirement Income Security Act of
18 1974), a service benefit plan, and a health maintenance or-
19 ganization) would have been obligated to provide such as-
20 sistance but for a provision of its insurance contract which
21 has the effect of limiting or excluding such obligation be-
22 cause the individual is eligible for or is provided child
23 health assistance under the plan.

24 “(8) SECONDARY PAYER PROVISIONS.—Except as oth-
25 erwise provided by law, no payment shall be made to a
26 State under this section for expenditures for child health
27 assistance provided for a targeted low-income child under
28 its plan to the extent that payment has been made or can
29 reasonably be expected to be made promptly (as determined
30 in accordance with regulations) under any other federally
31 operated or financed health care insurance program, other
32 than an insurance program operated or financed by the In-
33 dian Health Service, as identified by the Secretary. For
34 purposes of this paragraph, rules similar to the rules for
35 overpayments under section 1903(d)(2) shall apply.

36 “(9) LIMITATION ON PAYMENT FOR ABORTIONS.—

“(A) IN GENERAL.—Payment shall not be made to a State under this section for any amount expended under the State plan to pay for any abortion or to assist in the purchase, in whole or in part, of health benefit coverage that includes coverage of abortion.

“(B) EXCEPTION.—Subparagraph (A) shall not apply to an abortion—

“(i) if the pregnancy is the result of an act of rape or incest, or

“(ii) in the case where a woman suffers from a physical disorder, illness, or injury that would, as certified by a physician, place the woman in danger of death unless an abortion is performed.

“(c) ADVANCE PAYMENT; RETROSPECTIVE ADJUSTMENT.—The Secretary may make payments under this section for each quarter on the basis of advance estimates of expenditures submitted by the State and other investigation the Secretary may find necessary, and may reduce or increase the payments as necessary to adjust for any overpayment or underpayment for prior quarters.

“SEC. 2105. PROCESS FOR SUBMISSION, APPROVAL, AND AMENDMENT OF STATE CHILD HEALTH PLANS.

“(a) INITIAL PLAN.—

“(1) IN GENERAL.—As a condition of receiving funding under section 2104, a State shall submit to the Secretary a State child health plan that meets the applicable requirements of this title.

“(2) APPROVAL.—Except as the Secretary may provide under subsection (e), a State plan submitted under paragraph (1)—

“(A) shall be approved for purposes of this title, and

“(B) shall be effective beginning with a calendar quarter that is specified in the plan, but in no case earlier than the first calendar quarter that begins at least 60 days after the date the plan is submitted.

1 “(b) PLAN AMENDMENTS.—

2 “(1) IN GENERAL.—A State may amend, in whole or
3 in part, its State child health plan at any time through
4 transmittal of a plan amendment.

5 “(2) APPROVAL.—except as the secretary may provide
6 under subsection (e), an amendment to a state plan sub-
7 mitted under paragraph (1)—

8 “(A) shall be approved for purposes of this title,
9 and

10 “(B) shall be effective as provided in paragraph
11 (3).

12 “(3) EFFECTIVE DATES FOR AMENDMENTS.—

13 “(A) IN GENERAL.—Subject to the succeeding pro-
14 visions of this paragraph, an amendment to a State
15 plan shall take effect on one or more effective dates
16 specified in the amendment.

17 “(B) AMENDMENTS RELATING TO ELIGIBILITY OR
18 BENEFITS.—

19 “(i) NOTICE REQUIREMENT.—Any plan
20 amendment that eliminates or restricts eligibility or
21 benefits under the plan may not take effect unless
22 the State certifies that it has provided prior or con-
23 temporaneous public notice of the change, in a
24 form and manner provided under applicable State
25 law.

26 “(ii) TIMELY TRANSMITTAL.—Any plan
27 amendment that eliminates or restricts eligibility or
28 benefits under the plan shall not be effective for
29 longer than a 60-day period unless the amendment
30 has been transmitted to the Secretary before the
31 end of such period.

32 “(C) OTHER AMENDMENTS.—Any plan amend-
33 ment that is not described in subparagraph (C) be-
34 comes effective in a State fiscal year may not remain
35 in effect after the end of such fiscal year (or, if later,
36 the end of the 90-day period on which it becomes effec-

1 tive) unless the amendment has been transmitted to the
2 Secretary.

3 “(c) DISAPPROVAL OF PLANS AND PLAN AMENDMENTS.—

4 “(1) PROMPT REVIEW OF PLAN SUBMITTALS.—The
5 Secretary shall promptly review State plans and plan
6 amendments submitted under this section to determine if
7 they substantially comply with the requirements of this
8 title.

9 “(2) 90-DAY APPROVAL DEADLINES.—A State plan or
10 plan amendment is considered approved unless the Sec-
11 retary notifies the State in writing, within 90 days after re-
12 ceipt of the plan or amendment, that the plan or amend-
13 ment is disapproved (and the reasons for disapproval) or
14 that specified additional information is needed.

15 “(3) CORRECTION.—In the case of a disapproval of a
16 plan or plan amendment, the Secretary shall provide a
17 State with a reasonable opportunity for correction before
18 taking financial sanctions against the State on the basis of
19 such disapproval.

20 “(d) PROGRAM OPERATION.—

21 “(1) IN GENERAL.—The State shall conduct the pro-
22 gram in accordance with the plan (and any amendments)
23 approved under subsection (c) and with the requirements of
24 this title.

25 “(2) VIOLATIONS.—The Secretary shall establish a
26 process for enforcing requirements under this title. Such
27 process shall provide for the withholding of funds in the
28 case of substantial noncompliance with such requirements.
29 In the case of an enforcement action against a State under
30 this paragraph, the Secretary shall provide a State with a
31 reasonable opportunity for correction before taking finan-
32 cial sanctions against the State on the basis of such an ac-
33 tion.

34 “(e) CONTINUED APPROVAL.—An approved State child
35 health plan shall continue in effect unless and until the State
36 amends the plan under subsection (b) or the Secretary finds

1 substantial noncompliance of the plan with the requirements of
2 this title under section subsection (d)(2).

3 **“SEC. 2106. STRATEGIC OBJECTIVES AND PERFORM-**
4 **ANCE GOALS; PLAN ADMINISTRATION.**

5 “(a) STRATEGIC OBJECTIVES AND PERFORMANCE
6 GOALS.—

7 “(1) DESCRIPTION.—A State child health plan shall
8 include a description of—

9 “(A) the strategic objectives,

10 “(B) the performance goals, and

11 “(C) the performance measures,

12 the State has established for providing child health assist-
13 ance to targeted low-income children under the plan and
14 otherwise for maximizing health coverage for other low-in-
15 come children and children generally in the State.

16 “(2) STRATEGIC OBJECTIVES.—Such plan shall iden-
17 tify specific strategic objectives relating to increasing the
18 extent of creditable health coverage among targeted low-in-
19 come children and other low-income children.

20 “(3) PERFORMANCE GOALS.—Such plan shall specify
21 one or more performance goals for each such strategic ob-
22 jective so identified.

23 “(4) PERFORMANCE MEASURES.—Such plan shall de-
24 scribe how performance under the plan will be—

25 “(A) measured through objective, independently
26 verifiable means, and

27 “(B) compared against performance goals, in
28 order to determine the State’s performance under this
29 title.

30 “(b) RECORDS, REPORTS, AUDITS, AND EVALUATION.—

31 “(1) DATA COLLECTION, RECORDS, AND REPORTS.—A
32 State child health plan shall include an assurance that the
33 State will collect the data, maintain the records, and fur-
34 nish the reports to the Secretary, at the times and in the
35 standardized format the Secretary may require in order to
36 enable the Secretary to monitor State program administra-

tion and compliance and to evaluate and compare the effectiveness of State plans under this title.

“(2) STATE ASSESSMENT AND STUDY.—A State child health plan shall include a description of the State’s plan for the annual assessments and reports under section 2107(a) and the evaluation required by section 2107(b).

“(3) AUDITS.—A State child health plan shall include an assurance that the State will afford the Secretary access to any records or information relating to the plan for the purposes of review or audit.

“(c) PROGRAM DEVELOPMENT PROCESS.—A State child health plan shall include a description of the process used to involve the public in the design and implementation of the plan and the method for ensuring ongoing public involvement.

“(d) PROGRAM BUDGET.—A State child health plan shall include a description of the budget for the plan. The description shall be updated periodically as necessary and shall include details on the planned use of funds and the sources of the non-Federal share of plan expenditures, including any requirements for cost sharing by beneficiaries.

“(e) APPLICATION OF CERTAIN GENERAL PROVISIONS.—The following sections in part A of title XI shall apply to States under this title in the same manner as they applied to a State under title XIX:

“(1) Section 1101(a)(1) (relating to definition of State).

“(2) Section 1116 (relating to administrative and judicial review), but only insofar as consistent with the provisions of part B.

“(3) Section 1124 (relating to disclosure of ownership and related information).

“(4) Section 1126 (relating to disclosure of information about certain convicted individuals).

“(5) Section 1128B(d) (relating to criminal penalties for certain additional charges).

“(6) Section 1132 (relating to periods within which claims must be filed).

1 **“SEC. 2107. ANNUAL REPORTS; EVALUATIONS.**

2 “(a) ANNUAL REPORT.—The State shall—

3 “(1) assess the operation of the State plan under this
4 title in each fiscal year, including the progress made in re-
5 ducing the number of uncovered low-income children; and

6 “(2) report to the Secretary, by January 1 following
7 the end of the fiscal year, on the result of the assessment.

8 “(b) STATE EVALUATIONS.—

9 “(1) IN GENERAL.—By March 31, 2000, each State
10 that has a State child health plan shall submit to the Sec-
11 retary an evaluation that includes each of the following:

12 “(A) An assessment of the effectiveness of the
13 State plan in increasing the number of children with
14 creditable health coverage.;

15 “(B) A description and analysis of the effective-
16 ness of elements of the State plan, including—

17 “(i) the characteristics of the children and
18 families assisted under the State plan including age
19 of the children, family income, and the assisted
20 child’s access to or coverage by other health insur-
21 ance prior to the State plan and after eligibility for
22 the State plan ends,

23 “(ii) the quality of health coverage provided
24 including the types of benefits provided,

25 “(iii) the amount and level (payment of part
26 or all of the premium) of assistance provided by the
27 State,

28 “(iv) the service area of the State plan,

29 “(v) the time limits for coverage of a child
30 under the State plan,

31 “(vi) the State’s choice of health insurance
32 plans and other methods used for providing child
33 health assistance , and

34 “(vii) the sources of non-Federal funding used
35 in the State plan;

36 “(C) an assessment of the effectiveness of other
37 public and private programs in the State in increasing

1 the availability of affordable quality individual and fam-
2 ily health insurance for children;

3 “(D) a review and assessment of State activities to
4 coordinate the plan under this title with other public
5 and private programs providing health care and health
6 care financing, including Medicaid and maternal and
7 child health services;

8 “(E) an analysis of changes and trends in the
9 State that affect the provision of accessible, affordable,
10 quality health insurance and health care to children;

11 “(F) a description of any plans the State has for
12 improving the availability of health insurance and
13 health care for children;

14 “(G) recommendations for improving the program
15 under this title; and

16 “(H) any other matters the State and the Sec-
17 retary consider appropriate.

18 “(2) REPORT OF THE SECRETARY.—The Secretary
19 shall submit to the Congress and make available to the
20 public by December 31, 2000, a report based on the eval-
21 uations submitted by States under paragraph (1), contain-
22 ing any conclusions and recommendations the Secretary
23 considers appropriate.

24 **“SEC. 2108. DEFINITIONS.**

25 “(a) CHILD HEALTH ASSISTANCE.—For purposes of this
26 title, the term ‘child health assistance’ means payment of part
27 or all of the cost of any of the following, or assistance in the
28 purchase, in whole or in part, of health benefit coverage that
29 includes any of the following, for targeted low-income children
30 (as defined in subsection (b)) as specified under the State plan:

31 “(1) Inpatient hospital services.

32 “(2) Outpatient hospital services.

33 “(3) Physician services.

34 “(4) Surgical services.

35 “(5) Clinic services (including health center services)
36 and other ambulatory health care services.

1 “(6) Prescription drugs and biologicals and the admin-
2 istration of such drugs and biologicals, only if such drugs
3 and biologicals are not furnished for the purpose of caus-
4 ing, or assisting in causing, the death, suicide, euthanasia,
5 or mercy killing of a person.

6 “(7) Over-the-counter medications.

7 “(8) Laboratory and radiological services.

8 “(9) Prenatal care and prepregnancy family planning
9 services and supplies.

10 “(10) Inpatient mental health services, including serv-
11 ices furnished in a State-operated mental hospital and in-
12 cluding residential or other 24-hour therapeutically planned
13 structured services.

14 “(11) Outpatient mental health services, including
15 services furnished in a State-operated mental hospital and
16 including community-based services.

17 “(12) Durable medical equipment and other medically-
18 related or remedial devices (such as prosthetic devices, im-
19 plants, eyeglasses, hearing aids, dental devices, and adapt-
20 ive devices).

21 “(13) Disposable medical supplies.

22 “(14) Home and community-based health care services
23 and related supportive services (such as home health nurs-
24 ing services, home health aide services, personal care, as-
25 sistance with activities of daily living, chore services, day
26 care services, respite care services, training for family
27 members, and minor modifications to the home).

28 “(15) Nursing care services (such as nurse practi-
29 tioner services, nurse midwife services, advanced practice
30 nurse services, private duty nursing care, pediatric nurse
31 services, and respiratory care services) in a home, school,
32 or other setting.

33 “(16) Abortion only if necessary to save the life of the
34 mother or if the pregnancy is the result of an act of rape
35 or incest.

36 “(17) Dental services.

1 “(18) Inpatient substance abuse treatment services
2 and residential substance abuse treatment services.

3 “(19) Outpatient substance abuse treatment services.

4 “(20) Case management services.

5 “(21) Care coordination services.

6 “(22) Physical therapy, occupational therapy, and
7 services for individuals with speech, hearing, and language
8 disorders.

9 “(23) Hospice care.

10 “(24) Any other medical, diagnostic, screening, pre-
11 ventive, restorative, remedial, therapeutic, or rehabilitative
12 services (whether in a facility, home, school, or other set-
13 ting) if recognized by State law and only if the service is—

14 “(A) prescribed by or furnished by a physician or
15 other licensed or registered practitioner within the
16 scope of practice as defined by State law,

17 “(B) performed under the general supervision or
18 at the direction of a physician, or

19 “(C) furnished by a health care facility that is op-
20 erated by a State or local government or is licensed
21 under State law and operating within the scope of the
22 license.

23 “(25) Premiums for private health care insurance cov-
24 erage.

25 “(26) Medical transportation.

26 “(27) Enabling services (such as transportation, trans-
27 lation, and outreach services) only if designed to increase
28 the accessibility of primary and preventive health care serv-
29 ices for eligible low-income individuals.

30 “(28) Any other health care services or items specified
31 by the Secretary and not excluded under this section.

32 “(b) TARGETED LOW-INCOME CHILD DEFINED.—For
33 purposes of this title—

34 “(1) IN GENERAL.—The term ‘targeted low-income
35 child’ means a child—

36 “(A) who has been determined eligible by the
37 State for child health assistance under the State plan;

“(B) whose family income (as determined under the State child health plan)—

“(i) exceeds the medicaid applicable income level (as defined in paragraph (2) and expressed as a percentage of the poverty line), but

“(ii) but does not exceed an income level that is 75 percentage points higher (as so expressed) than the medicaid applicable income level, or, if higher 133 percent of the poverty line for a family of the size involved; and

“(C) who is not found to be eligible for medical assistance under title XIX or covered under a group health plan or under health insurance coverage (as such terms are defined in section 2791 of the Public Health Service Act).

Such term does not include a child who is an inmate of a public institution.

“(2) MEDICAID APPLICABLE INCOME LEVEL.—The term ‘medicaid applicable income level’ means, with respect to a child, the effective income level (expressed as a percent of the poverty line) that has been specified under the State plan under title XIX (including under a waiver authorized by the Secretary or under section 1902(r)(2)), as of June 1, 1997, for the child to be eligible for medical assistance under section 1902(l)(2) for the age of such child. In applying the previous sentence in the case of a child described in section 1902(l)(2)(D), such level shall be applied taking into account the expanded coverage effected among such children under such section with the passage of time.

“(c) ADDITIONAL DEFINITIONS.—For purposes of this title:

“(1) CHILD.—The term ‘child’ means an individual under 19 years of age.

“(2) CREDITABLE HEALTH COVERAGE.—The term ‘creditable health coverage’ has the meaning given the term ‘creditable coverage’ under section 2701(c) of the Public Health Service Act (42 U.S.C. 300gg(c)) and includes cov-

1 erage (including the direct provision of services) provided
 2 to a targeted low-income child under this title.

3 “(3) GROUP HEALTH PLAN; HEALTH INSURANCE COV-
 4 ERAGE; ETC.—The terms ‘group health plan’, ‘group health
 5 insurance coverage’, and ‘health insurance coverage’ have
 6 the meanings given such terms in section 2191 of the Pub-
 7 lic Health Service Act.

8 “(4) LOW-INCOME.—The term ‘low-income child’
 9 means a child whose family income is below 200 percent of
 10 the poverty line for a family of the size involved.

11 “(5) POVERTY LINE DEFINED.—The term ‘poverty
 12 line’ has the meaning given such term in section 673(2) of
 13 the Community Services Block Grant Act (42 U.S.C.
 14 9902(2)), including any revision required by such section.

15 “(6) PREEXISTING CONDITION EXCLUSION.—The term
 16 ‘preexisting condition exclusion’ has the meaning given
 17 such term in section 2701(b)(1)(A) of the Public Health
 18 Service Act (42 U.S.C. 300gg(b)(1)(A)).

19 “(7) STATE CHILD HEALTH PLAN; PLAN.—Unless the
 20 context otherwise requires, the terms ‘State child health
 21 plan’ and ‘plan’ mean a State child health plan approved
 22 under section 2105.

23 “(8) UNCOVERED CHILD.—The term ‘uncovered child’
 24 means a child that does not have creditable health cov-
 25 erage.”.

26 (b) CONFORMING AMENDMENTS.—

27 (1) DEFINITION OF STATE.—Section 1101(a)(1) is
 28 amended—

29 (A) by striking “and XIX” and inserting “XIX,
 30 and XXI”, and

31 (B) by striking “title XIX” and inserting “titles
 32 XIX and XXI”.

SEC. 3503. OPTIONAL USE OF STATE CHILD HEALTH ASSISTANCE FUNDS FOR ENHANCED MEDICAID MATCH FOR EXPANDED MEDICAID ELIGIBILITY.

(a) INCREASED FMAP FOR MEDICAL ASSISTANCE FOR EXPANDED COVERAGE OF TARGETED LOW-INCOME CHILDREN.—Section 1905 of the Social Security Act (42 U.S.C. 1396d) is amended—

(1) in subsection (b), by adding at the end the following new sentence: “Notwithstanding the first sentence of this subsection, in the case of a State plan that meets the condition described in subsection (t)(1), with respect to expenditures for medical assistance for optional targeted low-income children described in subsection (t)(2), the Federal medical assistance percentage is equal to the enhanced medical assistance percentage described in subsection (t)(3).”; and

(2) by adding at the end the following new subsection: “(t)(1) The conditions described in this paragraph for a State plan are as follows:

“(A) The plan is not applying income and resource standards and methodologies for the purpose of determining eligibility of individuals under section 1902(l) that are more restrictive than those applied as of June 1, 1997, for the purpose of determining eligibility of individuals under such section.

“(B) The plan provides for such reporting of information about expenditures and payments attributable to the operation of this subsection as the Secretary deems necessary in order to carry out sections 2103(d) and 2104(b)(2).

“(C) The amount of the increased payments under section 1903(a) resulting from the application of this subsection does not exceed the total amount of any allotment not otherwise expended by the State under section 2103 for the period involved.

1 “(2) For purposes of subsection (b), the term ‘optional
2 targeted low-income child’ means a targeted low-income child
3 described in section 2108(b)(1) who would not qualify for medi-
4 cal assistance under the State plan under this title based on
5 such plan as in effect on June 1, 1997 (taking into account
6 the process of individuals aging into eligibility under section
7 1902(l)(2)(D)).

8 “(3) The enhanced medical assistance percentage de-
9 scribed in this paragraph for a State is equal to the Federal
10 medical assistance percentage (as defined in the first sentence
11 of subsection (b)) for the State increased by a number of per-
12 centage points equal to 30 percent of the number of percentage
13 points by which (A) such Federal medical assistance percentage
14 for the State, is less than (B) 100 percent.

15 “(4) Notwithstanding any other provision of this title, a
16 State plan under this title may impose a limit on the number
17 of optional targeted low-income children described in paragraph
18 (2). The previous sentence shall not be construed as applying
19 to any child to whom the State is required to provide medical
20 assistance under this title.”.

21 (b) EFFECTIVE DATE.—The amendments made by this
22 section shall apply to medical assistance for items and services
23 furnished on or after October 1, 1997.